

Myth: Plugging overseas corporate tax loopholes will dramatically improve the budget outlook as multinationals pay their "fair" share.

Reality: Dream on. The estimated \$210 billion revenue gain over 10 years—money already included in Obama's budget—represents only six-tenths of 1 percent of the decade's tax revenue of \$32 trillion, as projected by the Congressional Budget Office. Worse, the CBO reckons that Obama's endless deficits over the decade will total a gut-wrenching \$9.3 trillion.

Whether Obama's proposals would create any jobs in the United States is an open question. In highly technical ways, Obama would increase the taxes on the foreign profits of U.S. multinationals by limiting the use of today's deferral and foreign tax credit. Taxing overseas investment more heavily, the theory goes, would favor investment in the United States.

But many experts believe his proposals would actually destroy U.S. jobs. Being more heavily taxed, American multinational firms would have more trouble competing with European and Asian rivals. Some U.S. foreign operations might be sold to tax-advantaged foreign firms. Either way, supporting operations in the United States would suffer. "You lose some of those good management and professional jobs in places like Chicago and New York," says Gary Hufbauer of the Peterson Institute.

Including state taxes, America's top corporate tax rate exceeds 39 percent; among wealthy nations, only Japan's is higher (slightly). However, the effective U.S. tax rate is reduced by preferences—mostly domestic, not foreign—that also make the system complex and expensive. As Hufbauer suggests, Obama would have been better advised to cut the top rate and pay for it by simultaneously ending many preferences. That would lower compliance costs and involve fewer distortions. But this sort of proposal would have been harder to sell. Obama sacrificed substance for grandstanding.

[From the Arizona Republic]

THE CHRYSLER POWER GRAB

The proposed end games for General Motors and particularly Chrysler illustrate why government shouldn't have gotten involved in the first place.

It's worthwhile to begin with the broader picture. Americans used to buy about 17 million new cars and trucks a year. Now, we're buying less than 10 million. That, of course, puts considerable stress on manufacturers with weaker products or financial structures.

How many new cars Americans will want to purchase in the future is unknown. But there can be a high degree of confidence in this: however many it is, someone will sell them to us.

Moreover, they are likely to be produced in the United States. A majority of cars sold by foreign manufacturers in the U.S. are actually built here.

So, why should the federal government care who it is that sells us our cars? There are two rationales offered. First, to preserve an "American" auto industry. Second, to preserve "American" jobs.

The proposed Chrysler restructuring gives the lie to both rationales.

Under the Obama administration's proposal, Chrysler would, in essence, be given to Fiat, an Italian company, to operate.

So, how is an Italian car manufacturer operating in Michigan any more "American" than a Japanese manufacturer operating in Kentucky?

And why should the federal government give a market preference—through taxpayer

financing and warrantee guarantees to Italian cars produced by American workers in Michigan over Japanese cars produced by American workers in Kentucky?

The Obama administration's proposed restructuring is more than just unjustified, however. It dangerously undermines the rule of law, as explicated so beneficially by Friedrich Hayek in his classic, "The Road to Serfdom."

The essence of the rule of law, according to Hayek, is that what the government will do is known to all economic actors in advance. That government will not act arbitrarily in specific circumstances to favor some economic actors over others.

Chrysler has \$6.9 billion in secured debt. Under the law, secured lenders have the first claim on the assets of the debtor in the event of non-payment.

The Obama administration is attempting to muscle past this law. Under its proposal, the health care trust of the auto workers' union, an unsecured creditor, would forgive 57 percent of what Chrysler owes it, and receive 55 percent of the company's equity in exchange. The federal government would forgive about a third of what it would loan Chrysler and receive 8 percent of the company's equity. Fiat would pay nothing for its 20 percent initial ownership.

The secured creditors, with the first claim on Chrysler's assets, were asked to forgive 70 percent of what they are owed and receive nothing in equity. When they refused and forced the company into bankruptcy, they were excoriated by Obama—a shameful act by a president who pledged to uphold the law, not make it up as he went along.

The purported GM restructuring is equally lopsided. The union trust would forgive half of what it is owed and receive 39 percent of the company. The government would forgive half of what it is owed and receive 50 percent of the company. The other private lenders, in this case unsecured, would forgive 100 percent of what they are owed and receive just 10 percent of the company.

In his recent press conference, Obama said he had no interest in owning or operating car companies. Until this point, I was willing to accept Obama at his word, while fundamentally disagreeing with his economic policies.

Given his actions, however, it's hard to credit his disclaimer in this instance.

These proposed restructurings are power grabs, pure and simple. The positions of lenders are eviscerated to give control to the union trust and the government. The emergent companies are given market preference through taxpayer financing and government warrantee guarantees. All to serve no true national purpose.

CONDUCTING U.S. GOVERNMENT BUSINESS

Mr. KYL. Mr. President, let me commend my colleague from Tennessee. I thought his remarks were right on the spot. When we start looking backward instead of forward, we want to be careful what we ask for because we just might get it, and it might be more than we bargained for.

There have been a lot of mistakes the United States has made, a lot we are not very proud of, and my colleague mentioned a couple of those. There were certainly things in the last Democratic administration for which, had some of the officials there had it to do over again, I am sure they would do over. There were things the Republican administration that succeeded the

Clinton administration undoubtedly disagreed with, but it seems to me that President Bush has acquitted himself very well as a former President, not criticizing the administration he succeeded, and certainly not suggesting those disagreements should take the form of political trials or even criminal trials. It would be very unseemly for that to occur with respect to the Bush administration now that we have a new Obama administration.

But people who served previously in the Clinton administration, obviously those who served in the Congress and knew something about what went on, would certainly have to be prepared to defend themselves under these circumstances as well. It is just an unseemly way, it seems to me—and I agree with my colleague from Tennessee—for the U.S. Government to be conducting its business. So I commend my colleague, Senator ALEXANDER, for his statement.

GUANTANAMO BAY

Mr. KYL. Mr. President, on a related matter, the Guantanamo Bay detention facility and what we do about that—as everyone knows, our President fulfilled a campaign promise when he issued an Executive order to close the Guantanamo Bay detention facility.

Both President Bush and Secretary Gates had wanted to close it, but they were confronted with a very difficult problem: what to do with the prisoners at the facility.

President Obama now faces that same dilemma. Campaign rhetoric, it turns out, is one thing; governing is quite another.

There are far more questions than answers about what the administration will do with the prisoners at Guantanamo. Will it hold them? Where will it hold them? Will they be sent to the United States? Will they be kept in military facilities or in Federal prisons here in the United States? How will it guarantee that those who are released do not return to the battlefield?

We don't have answers, of course, to these questions. Yet the administration has asked Congress for \$80 million, some of which, as is quite clearly stated in the language of the request, could be used to transfer these detainees to the United States.

Last week, during the House Appropriations Committee's markup of the President's supplemental appropriations request, the chairman struck the \$80 million, noting that he could not defend the request because the administration does not have a plan for closure. As the Senate Appropriations Committee prepares to mark up the supplemental request this week, I urge the committee to follow the example of the House of Representatives. Majority Leader REID has just informed us that the Senate committee would "fence" the \$80 million, meaning that it would release it only when there is a plan,